difficulty and insolvency as life spans continue to increase, it reminds me of some of the problems with Social Security. Social Security has some of the exact same problems as the railroad retirement pension plan.

Let me give the second reason suggested by the Committee on the Budget staff. This bill maintains a special subsidy available to no other industry. Under current law, income taxes paid by railroad retirees on their retirement benefits are transferred to the Railroad Retirement System. Therefore, they do not pay the taxes. This subsidy, which is available to no other industry, will cost taxpayers more than $5 billion.

Number three, it allows the Railroad Retirement System to really raid Social Security. I ask my colleagues to consider the fact that Social Security is becoming insolvent, it is insolvent, and this bill in effect takes some of that Social Security solvency additionally away.

This bill allows the transfer of funds from the railroad retirement Social Security equivalent benefit account to the Social Security retirement trust fund. This transfer will result in Social Security funds being used to pay railroad retirement benefits.

Number four, I think it sets a bad precedent for Social Security reform. Instead of creating personal accounts with individual ownership and control over these accounts, this bill creates a government-appointed board to invest in the stock market on a collective basis. Under collective investments, there is no way to guarantee younger workers that they would receive any of the higher returns earned by the Government with their investment.

So, number one, we are bailing out to the tune of $33 billion, according to the staff of the Committee on the Budget; number two, we are having government go into the business of investing those funds, and I think both precedents are dangerous as we look at Social Security.

Let me quote some information from the Congressional Research Service: ''This Railroad Retirement and Survivors Improvement Act,'' as it is called, ''proposes a number of substantive changes.''

Number one, the bill would increase benefits for widows and widowers of railroad employees. It would lower the minimum age at which workers with 30 years of employment are eligible for those benefits. So we reduce the requirement for benefits while we ask the American taxpayer to bail them out, using some Social Security money. Something is wrong with this legislation as a precedent, as a way to solve a problem that the railroad retirees have. How many private pension funds do we really want to go into? Government got mixed up in it. It is quasi-governmental.

Mr. Speaker, at this time, so I will have some time to react to other statements, 10 minutes out of the 40 minutes is given against the bill, which I think reflects some of the positive votes as it moved through two separate committees, I will reserve the balance of my time.

Mr. Speaker, I reserve the balance of my time.

Mr. SHUSTER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, before I yield to my good friend from the Committee on Ways and Means, I want to emphasize that of the $33 billion that my good friend from Michigan talks about, the overwhelming majority of that money is paid for by the employers and the employees.

This is a self-financing trust fund. The only part which is not is $6 billion over 10 years, which is transferred simply from government securities to private investment funds, and indeed I should think anybody who believes in the market and in free enterprise and entrepreneurialism would be in support of doing that, because it is going to generate more money.

So to say that this is going to cost the taxpayers this money is simply not accurate, in my judgment.

Mr. Speaker, I am pleased to yield 5 minutes to the distinguished gentleman from Florida (Mr. SHAW).

Mr. SHAW. Mr. Speaker, I thank the chairman for yielding me this time.

The Railroad Retirement and Survivors Improvement Act makes important changes to the Railroad Retirement System that will enhance benefits, increase the industry's responsibility over its pension system, and set the stage for more substantial reforms in the future that would make the program a free-standing pension plan.

The Railroad Retirement System is divided into two tiers: The first tier resembles Social Security, and the second tier resembles a defined benefit employer pension plan. The second tier is very unique. It resembles a private pension plan, but it is administered by the Federal Government. Benefits are entitled under Federal law. The legislation before us today deals primarily with the second tier, the industry's pension plan.

H.R. 4844 makes many improvements to the industry's pension. First, it allows the industry to diversify its assets portfolio by investing in private securities. There is not one single private or state pension system out there today that invests 100 percent of its assets in Treasury bills.

Secondly, it allows the industry to invest its pension contributions outside of the Federal Government and outside the Government's control.

Third, the proposal increases the industry's responsibility over the financial soundness of its pension plan. In the past, when the system ran into financial trouble, the Government had to bail the program out. Under this bill, there is a mechanism which automatically adjusts the industry's taxes if the program gets into trouble. The responsibility and the investment risk falls on the industry. It does not fall upon the taxpayer.

Finally, this legislation takes important steps towards converting the system into a freestanding industry pension plan outside of Federal jurisdiction. Under this bill, the second tier of the Railroad Retirement System becomes more like any other defined benefit employer plan or State pension plan. Its assets are invested in private securities outside of the Treasury, it is governed by a board of trustees who are bound by fiduciary principles similar to ERISA, and also benefit checks are no longer paid by the Treasury.

In closing, I would like to emphasize that the benefit changes and the tax changes made by this bill are paid for within the Railroad Retirement System. The Railroad Retirement System is a self-financing program. Like Social Security, it is entirely financed with dedicated payroll taxes on workers and employers and the taxes that retirees pay on the benefits. The costs of this plan are borne by the Railroad Retirement System, not by the taxpayer.

Mr. Speaker, I would like to add here in answer to comments by the gentleman from Michigan (Mr. SMITH) that the budgetary impact is primarily due to the fact that these Treasury bills are being cashed in in order to make these investments. That does have a budgetary impact. But the budgetary impact really is minimal, because we will be saving in future years the interest that the Treasury has paid. And it is doing something else; it is retiring much of the public debt that the Federal Government owes, which is something that I think both parties at least say that they support, and I certainly do.

Mr. Speaker, I would urge my colleagues to support this piece of bipartisan legislation. I would like to say this was a rare situation where we found ourselves in the enviable position of reaching out and crossing the aisle to our friends in the Democrat Party. It was also quite an experience seeing the industry and the unions coming together to ask for these changes. Moreover this bill is a good thing for the United States taxpayers.

Let me also add that during the debate today, certain questions have been raised about the budgetary effects of this bill. With this statement, I am submitting a response to these concerns. Again, I urge my colleagues to join me in support of this legislation.

RESPONSE TO CONCERNS

1. The bill increases railroad retirement benefits, reduces railroad payroll taxes, and allows the industry to cash in the government bonds in their Trust Fund. These changes will cost taxpayers $20.8 bill over 10 years ($33 billion when interest is included).

The Railroad Retirement system is a self-financing system—just like Social Security. It is paid for with dedicated payroll taxes and taxes that retirees pay on their benefits. The cost of the tax cuts and benefit increases contained in this bill does not fall on the general taxpayer. The cost is wholly paid for with taxes levied on railroad workers, railroad employers, and railroad retirees.

The proposal allows the Railroad Retirement system to invest in private-sector securities.